

DRAFT MULTI-YEAR OPERATING AND CAPITAL BUDGETS 2012/2013 : (T 6/1/1-2012/2013) :
BUDGET AND TREASURY OFFICE : 22 MARCH 2012

EXECUTIVE SUMMARY

Chapter 4 of the Municipal Finance Management Act (MFMA), 56 of 2003 stipulates that the Council for each municipality must for each financial year approve a tabled budget for the municipality at least 90 days before the start of that financial year. Immediately after the tabling of draft budget, the Mayor must make the approved draft budget to local communities and other relevant stakeholder for comments and representations.

Thirty days before the start of the financial year, the Council must then approve the annual budget, having considered the comments and suggestions of local communities, relevant stakeholders as well as Provincial and National Treasures, failing which, the Council is required by section 25 of MFMA to convene meetings within every seven days until the budget is approved. Should Council fail to approve its annual budget before the commencement of the financial year, the Mayor is required to submit reasons in terms of section 55 of MFMA. In terms of section 139(4) of the Constitution, the Provincial Executive of the relevant province may intervene where Council has failed to approve its annual budget prior to commencement of the financial year.

RECOMMENDED:

- (a) That in terms of section 24 of the Municipal Finance Management Act, 56 of 2003, the annual budget of the municipality for the financial year 2012/13; and indicative allocations for the two projected outer years 2013/14 and 2014/15; and the multi-year and single year capital appropriations be approved;
- (b) that the revenue source that will be utilised to fund both operating and capital budgets be noted and approved;
- (c) that the Municipality's portion of the uThukela Water (Pty) Ltd operating budget of R119,075,680 as reflected in Annexure A be approved for 2012/2013 financial year, notwithstanding the discussions held with the MEC to close down uThukela Water (Pty) Ltd and render a water reticulation service internally by the Municipality, however it be noted that an amount of R10 350 000 as provided on operating budget of uThukela Water (Pty) Ltd will be ring-fenced to address and maintain the failing infrastructure as well as getting professional advice of taking over water reticulation within the Newcastle Municipal Area;
- (d) that in terms of section 24(2)(c)(i) of the Municipal Finance Management Act, 56 of 2003, and sections 74 and 75A of the Local Government Municipal Systems Act, 32 of 2000 as amended, the tariffs for the supply water, electricity, waste services, sanitation services and property rates as set out Annexure E that were used to prepare the estimates of revenue by source, be approved with effect from 1 July 2012 for all services except for water and electricity consumption, which be levied on the new tariff with effect from 01 August 2012;
- (e) that the Tariff of Charges be approved;

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- (f) that it be noted that Rates, Water, Refuse and Sanitation tariffs will be increased by 7% and other tariffs be increased to a maximum of 10%;
- (g) that the new advertising bylaws and its revised tariff structure as contained in the Tariff of Charges be noted and approved;
- (h) that it noted that NERSA has advised the electricity tariff of an average of 11.03% and that the Inclining Block Tariff (IBT) will be applied, all endeavours to be made with NERSA to reverse the block tariff;
- (i) that in terms of the Indigent Policy, the monthly household earnings of an indigent application be capped at R3,000, all endeavours be made to collect revenue from those consumers earning more than R3,000;
- (j) that the Customer Care, Credit Control and Debt Collection Policy be noted and approved;
- (k) that the Rates Policy be noted and approved;
- (l) that the Tariff Policy be noted and approved;
- (m) that the Debt Write-off Policy be noted and approved;
- (n) that the Indigent Policy be noted and approved;
- (o) that the Cash Management and Investment Policy be noted and approved;
- (p) that the Budget Policy be noted and approved;
- (q) that the Virement Policy be noted and approved;
- (r) that the Fixed Assets Management Policy be noted and approved;
- (s) that the Funding and Reserve Policy be noted and approved;
- (t) that the Borrowing Policy be noted and approved;
- (u) that the Petty Cash Policy be noted and approved.
- (v) that following a land audit, all serviced residential properties be sold by public tender, preference to be given to first-time home owners and application be made to National Treasury to amend the Supply Chain Management Policy in such regard;
- (w) that as regards (w) above a timeline for the execution thereof be submitted;

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- (x) that a report be submitted as regards compliance with Circular 51 of National Treasury pertaining to the upgrading of the Municipal offices.

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REPORT

1. OPERATING BUDGET

The high level summary of the draft operating budget is attached as Annexure A.

2. CAPITAL BUDGET

The budgeted capital projects are reflected in Annexure B attached.

3. FINANCIAL IMPLICATIONS

The total operating expenditure for the 2012/13 financial year has been projected at R1.445 billion and a surplus of R3.5 million has been projected after subtracting asset revaluation depreciation amounting to R196 million.

Total capital expenditure is projected at R308.4, million which will be funded as follows:

- Grants : R100.4 million
- External Loan : R113.3 million
- Reserves : R 60.0 million
- Equitable Share : R 35.0 million

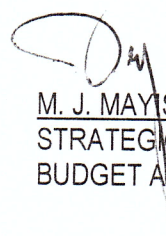
4. 2011 MTREF DOCUMENTS

The related budget documents are attached as follows:

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|-------------------------|--------------|
| Operating Budget | : Annexure A |
| Capital Budget | : Annexure B |
| Notes to Opex | : Annexure C |
| Tariff Increases | : Annexure D |
| Tariff of Charges | : Annexure E |
| Budget Related Policies | : Annexure F |

Report seen by:

A. F. REHMAN
PORTFOLIO COUNCILLOR
BUDGET AND TREASURY OFFICE


M. J. MAYISELA
STRATEGIC EXECUTIVE DIRECTOR:
BUDGET AND TREASURY OFFICE

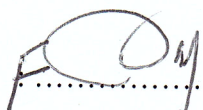
MUNICIPAL MANAGER'S QUALITY CERTIFICATE

I, **K Masange**, Municipal Manager of **Newcastle Municipality**, hereby certify that the annual budget and supporting documentation of the 2012/2013 Operating and Capital Budget have been prepared in accordance with the Municipal Finance Management Act, 56 of 2003, and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name : KEBONE MASANGE

Municipal Manager of : NEWCASTLE MUNICIPALITY

Signature



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Date

: 26/03/2012
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